

UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Joseph T. Kelliher, Chairman;
Sudeen G. Kelly, Marc Spitzer,
Philip D. Moeller, and Jon Wellinghoff.

Transwestern Pipeline Company, LLC

Docket No. RP06-614-001

ORDER APPROVING UNCONTESTED SETTLEMENT

(Issued June 26, 2007)

1. On February 1, 2007, Transwestern Pipeline Company, LLC (Transwestern) filed an Offer of Settlement (Settlement), which resolves all issues set for technical conference by the Commission's order issued on October 31, 2006,¹ accepting and suspending tariff sheets, subject to refund, and establishing a hearing and technical conference, except for the gas quality specifications for Wobbe Index and Btu content. As discussed below, we approve the uncontested Settlement as fair and reasonable and in the public interest.²

I. Background

2. On September 29, 2006, Transwestern filed revised tariff sheets under section 4(e) of the Natural Gas Act (NGA) proposing a general rate increase. The October 31, 2006 Order accepted and suspended the tariff sheets, subject to refund, and established a hearing and technical conference. The issues set for hearing, among other things, included: cost allocation; cost of service; rate design; depreciation; capital structure and return on equity; rolled-in costs associated with various expansion projects; and fuel reimbursement charges. The issues set for technical conference were all proposed changes to the provisions of the General Terms and Conditions (GT&C), including, but not limited to, gas quality standards, reservation charge credits, creditworthiness provisions, and alert day provisions. These technical conference issues are the subject of the instant proceeding.

¹ *Transwestern Pipeline Company, LLC*, 117 FERC ¶ 61,134 (2006) (October 31, 2006 Order).

² See Rule 602(g)(3) of the Commission's Rules of Practice and Procedure. 18 CFR § 385.602(g)(3) (2006).

II. The Settlement

3. On February 1, 2007, Transwestern filed the instant Settlement to resolve all issues set for technical conference, except for the gas quality specifications for Wobbe Index and Btu content.³ Specifically, the Settlement provides for: (1) elimination of the EFBH and FTS-3 Rate Schedules; (2) addition of a pre-arranged shipper option to the existing bid solicitation procedures; (3) revised creditworthiness provisions; (4) revised scheduling priorities for alternate receipts and deliveries; (5) revised alert day provisions; (6) revised language with respect to reservation charge credits; and, (7) a revised oxygen specification, a Hydrocarbon Dew Point (HDP) provision, and elimination of separate gas quality specifications for the La Plata facilities.

III. Comments

4. On February 21, 2007, initial comments were filed by Public Service Company of New Mexico, Indicated Shippers,⁴ Southern California Gas Company (SoCal Gas) and San Diego Gas & Electric Company (SDG&E), Transwestern, and UNS Gas, Inc. On March 5, 2007, Indicated Shippers filed reply comments. All comments were in support of the Settlement; however, SoCal Gas and SDG&E noted that a provision was missing from section 2.4 of the GT&C, concerning the right of a downstream pipeline to refuse to accept deliveries of non-conforming gas and requested that the missing language be added. In its comments, Transwestern stated that it has no objection to the modification to section 2.4 of the GT&C proposed by SoCal Gas and SDG&E.

IV. Discussion

5. We find the Settlement to be fair and reasonable and in the public interest. The Settlement provides for the addition of a pre-arranged shipper option to the bid solicitation procedures, revised alert day and creditworthiness provisions, and revised scheduling priorities for alternate receipts and deliveries, among other things.

³ On April 3, 2007, Transwestern filed a motion for the Commission to hold in abeyance action on the unsettled technical conference issues, *i.e.*, Wobbe Index and Btu content specifications. In the order resolving all issues set for hearing by the October 31, 2006 Order (*Transwestern Pipeline Company, LLC*, 119 FERC ¶ 61,096 (2007)), the parties were reminded that their respective positions on Wobbe Index and Btu content, and any settlement on gas quality requirements will require factual support consistent with the Commission's *Policy Statement on Provisions Governing Natural Gas Quality and Interchangeability in Interstate Natural Gas Pipeline Company Tariffs*, 115 FERC ¶ 61,325 (2006) (Policy Statement).

⁴ Indicated Shippers are comprised of: BP America Production Company, BP Energy Company; Chevron Natural Gas, a division of Chevron U.S.A. Inc.; ConocoPhillips Company; and Coral Energy Resources, L.P.

Furthermore, the Settlement provides benefits to the operations, safety, and integrity of Transwestern's system by lowering the oxygen specification and establishing a HDP safe harbor provision of 15 degrees Fahrenheit. On April 27, 2007, the Commission issued a request for information regarding support for such revised gas quality specifications included in the Settlement, which Transwestern filed a response to on May 14, 2007.

6. In the Policy Statement, the Commission provided direction for addressing gas quality and interchangeability concerns. The Policy Statement states "pipeline tariff provisions on gas quality and interchangeability need to be flexible to allow pipelines to balance safety and reliability concerns with the importance of maximizing supply" and that "pipelines and their customers should develop gas quality and interchangeability specifications based on technical requirements."

7. The Commission finds that Transwestern's revised oxygen specification limit of 0.10 percent by volume is consistent with the Policy Statement. Transwestern consulted the *Guidelines/Quality Standards for Transportation of Gas Containing Mixed Corrosive Constituents*⁵ report issued by the Pipeline Research Council International and studied its pipeline operations and found that an oxygen limit of 0.10 percent balances the potential operational issues due to corrosion while still maximizing supply. As such, the Commission finds that the proposed oxygen limit is based on technical requirements and is in the public interest.

8. The Commission also finds the proposed 15 degree cricondentherm HDP (CHDP) safe harbor to be consistent with the Policy Statement. As shown in Transwestern's response to the Commission's April 27, 2007 request for information,⁶ Transwestern followed the recommendations of Appendix B of the HDP White Paper.⁷ Transwestern selected a sample of delivery points that were representative of its entire system and evaluated both a 15 degree and a 20 degree CHDP. Transwestern found that a 50 percent reduction in the amount of points likely to experience liquid dropout was achieved at the 15 degree CHDP as compared to the 20 degree CHDP. As such, the Commission finds

⁵ See Transwestern's September 29, 2006 filing in Docket No. RP06-614-000 at Exhibit TW-3.

⁶ See Transwestern's Response to Request for Information filed May 14, 2007 at page 3 and Attachment 2.

⁷ *White Paper on Liquid Hydrocarbon Dropout in Natural Gas Infrastructure*, NGC+ Liquid Hydrocarbon Drop Out Task Group, February 28, 2005 (HDP White Paper). See Transwestern's September 29, 2006 filing in Docket No. RP06-614-000 at Exhibit TW-5.

that the proposed HDP safe harbor of 15 degrees is properly supported and, consistent with the Policy Statement, is necessary to manage hydrocarbon liquid dropout within acceptable levels.⁸

9. The Commission finds the elimination of the separate gas quality standards at the La Plata facilities is technically supported. Because only minimal volumes have been delivered to Northwest Pipeline Corporation since 2000, and since June 2004, all volumes at La Plata have been delivered to Transwestern, there is no longer a need for separate gas quality standards for these facilities. Further, the elimination of the separate standards allows Transwestern to operate its entire system with one set of gas quality standards. Based on these operational changes, the Commission finds the elimination of the separate gas quality standards at the La Plata facilities to be in the public interest.

10. The Settlement states that it shall become effective upon “the first day of the first month following the date on which a Commission order approving the Settlement...becomes final.”⁹ Further, it states that except for tariff sheets to implement revised scheduling priorities for alternate receipts and deliveries, all tariff sheets in Appendix A of the Settlement shall become effective as of the effective date of the Settlement. The Settlement explains that in order to allow time for the computer operating system changes needed to implement the revised scheduling priorities for alternate receipts and deliveries, such tariff provisions shall become effective on the first day of the fifth month following the effective date of the settlement. The Settlement also states that tariff sheets to implement these revised scheduling priorities shall be filed by Transwestern no later than 120 days following the effective date of the settlement. The Settlement states that revised tariff sheets to implement all other provisions of the Settlement shall be filed within 15 days following the effective date of the Settlement. Transwestern is hereby directed to file actual tariff sheets following the effective date of the Settlement, consistent with the provisions of the Settlement. Furthermore, Transwestern is hereby directed to include the revision to section 2.4 of the GT&C as requested by SoCal Gas and SDG&E, as discussed above, when filing the revised tariff sheets to place the Settlement into effect, within 15 days of the effective date of the Settlement.

11. Accordingly, we find that the settlement appears to be fair and reasonable, and in the public interest, and it is hereby approved.

⁸ Policy Statement at P 34.

⁹ The Settlement states that a Commission order shall be deemed final as of the date on which the right to request rehearing expires, if no party has filed a request for rehearing, or the date on which the Commission issues a final order on rehearing or all requests for rehearing are deemed denied by operation of law.

The Commission orders:

(A) The Settlement with revised section 2.4 of the GT&C is hereby approved, as discussed above.

(B) Transwestern is directed to file revised tariff sheets effective as provided for in the Settlement and to modify section 2.4 of the GT&C within 15 days of the effective date of the Settlement and the remaining tariff sheets within 120 days of the effective date of the Settlement, as discussed above.

By the Commission.

(S E A L)

Kimberly D. Bose,
Secretary.